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DEPARTMENT OF STATE

November 10, 1954

MEMORANDUM

TO: FOA/MDAC - Mr. Hansen

FROM: State/EDS - Mr. Wright

SUBJECT: Review of the Schelling Report

The Ad Hoc Working Group appointed by the Executive Committee to make recommendations on the research implications of the Schelling Report has held three meetings thus far. The first meeting resulted in a consensus on the part of the group that the principal tasks for the Working Group were roughly as follows:

(1) An evaluation of the significance of the Schelling Report in terms of (a) its probable impact on economic defense policy and (b) its effect in terms of reorientating research on economic defense matters.

(2) A specific listing of the topics meriting further study as a result of the conclusions of the Schelling Report, taking into account the draft outline presented to the Executive Committee on October 7th, and combining considerations of (a) priority from the standpoint of economic defense operations and (b) practicability from the standpoint of the intelligence agencies.

(3) Consideration of the manner in which the specified research topics can be fitted into present research facilities and programs, taking account of existing economic defense research requirements.

(4) Consideration of methods for assuring that the specified research topics would represent a cohesive pattern which would have positive benefit from the standpoint of economic defense policy needs.

However, before discussing the specific details of a research outline suggested by the conclusions of the Schelling Report, it was felt to be essential to have some discussion in the Working Group of the principal conclusions of the Schelling Report as such. It was felt that it would be difficult to make precise suggestions as to lines of research without first agreeing on some preliminary evaluation of the probable soundness of the conclusions and some knowledge of the practicability of examining them with the facilities available within the intelligence community. It was therefore agreed that the intelligence representatives on the Working Group would make available to the Group qualified experts to discuss in an informal manner the principal points in the Schelling conclusions at a series of subsequent meetings.

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Accordingly, the second meeting of the Working Group was held to permit discussion of the first two conclusions relating to agriculture. Following this meeting it was generally felt by the Group that the preliminary discussion of the Schelling conclusions could be more effectively handled if the intelligence representatives from CIA and State were to prepare a preliminary evaluation including tentative suggestions for lines of research. Such a document could serve as a basis for an orderly discussion of the Schelling conclusions and as a starting point for considering the research implications. Such a request for a preliminary evaluation was therefore made of the OIR and CIA members of the Working Group. Such an evaluation has been prepared and has been the subject of a preliminary presentation and discussion in a third meeting of the Working Group. This evaluation has now been revised following that discussion and has been put in final form by the intelligence representatives.

The requested evaluation entitled "Preliminary Evaluation of 'Soviet Economy Trends and Their Implications for East-West Trade' (the Schelling Report)" together with a checklist of significant intelligence reports has been presented to the Chairman of the Working Group and will be helpful as a basis for further discussion. The tentative implications for intelligence research included as a part of the study referred to will be a starting point for the development of specific proposals by the Working Group for intelligence research recommendations. The report, therefore, does not represent the conclusions of the Working Group but does represent a valuable document for the use of the group. Since the evaluation and tentative suggestions as to research implications may be useful in the forthcoming EDO discussions, the report has been made available to you for use at that Conference. It is expected that there will be further work on the Working Group's assignment following the EDO Conference at which time the members of the Group who have been present at the EDO Conference will be able to make available to the Working Group any suggestions or comments arising from the EDO meetings which may be useful in the further work of the Group. Copies of the evaluation and tentative research suggestions drawn up by the intelligence members of the Working Group will also be circulated to members of the Working Group for their information and study prior to further meetings of the Group.

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